

Message Text

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ACTION EB-07

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FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 9320

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AMEMBASSY BRUSSELS

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E.O. 11652: N/A

TAGS: ETRD, TU

SUBJECT: U.S. GRAIN CONTRACTS WITH TMO

REF: STATE 114465; ANKARA 4007

1. ECONOMIC COUNSELOR MAY 21 CALLED ON AMB GOKMEN, DIRECTOR GENERAL, ECONOMIC AFFAIRS, MINISTRY OF FOREIGN AFFAIRS, TO DISCUSS GRAIN CONTRACTS BETWEEN TURKISH SOIL PRODUCTS OFFICE (TMO) AND CONTINENTAL GRAIN (FINAGRAIN) AND BUNGE. ECONOMIC COUNSELOR DESCRIBED BACKGROUND TO THESE TWO CONTRACTS AND EXPRESSED CONCERN AT ACTION TAKEN BY TURKISH GOVERNMENT TO NULLIFY THE CONTRACTS. ECONOMIC COUNSELOR REPEATED POINTS MADE IN EARLIER DISCUSSIONS WITH TURKISH OFFICIALS AS OUTLINED IN PARAGRAPH 6 OF STATE 103466.

2. AMB GOKMEN SAID THAT HE HAD BEEN ASKED TO LOOK INTO THIS MATTER BY FOREIGN MINISTER CAGLAYANGIL FOLLOWING THE APPROACH MADE BY AMB MACOMBER ON MAY 7 (ANKARA 3592). GOKMEN SAID HE HAD ALSO BEEN APPROACHED EARLIER BY THE SWISS AMB, ON BEHALF OF FINAGRAIN, WHO HAD MADE INQUIRIES FOR INFORMATION BUT HAD NOT MADE ANY REPRESENTATIONS.

3. GOKMEN MADE THE FOLLOWING POINTS:

(A) THE TURKISH GOVERNMENT COULD NOT STAND UP UNDER THE PRESS AND PUBLIC CRITICISM THAT WOULD RESULT IF IT WERE TO PROCEED WITH A CONTRACT BY WHICH THE TMO WOULD PAY APPROX-
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IMATELY TWICE THE PRESENT WORLD PRICE FOR WHEAT.

(B) THE TURKISH GOVERNMENT ITSELF RECENTLY HAD CONTRACTS

WITH TUNISA FOR PHOSPHATE AND KUWAIT FOR "AMMONIAC". WHEN THE PRICE OF THESE ITEMS DOUBLED OR TRIPLED ON THE WORLD MARKET, THOSE GOVERNMENTS REFUSED TO ALLOW DELIVERY AT THE CONTRACT PRICE AND THE TURKISH GOVERNMENT WAS FORCED TO PAY A PRICE HIGHER THAN THAT ORIGINALLY CONTACTED FOR.

(C) THE DIFFERENCE BETWEEN THE CONTRACT PRICE AND THE PRESENT WORLD PRICE IN THE CASE OF THE CONTINENTAL GRAIN AND BUNGE CONTRACTS WAS TOO GREAT TO BE ABSORBED BY THE GOT. GOKMEN GAVE HIS PERSONAL OPINION THAT THE ONLY SOLUTION WOULD BE FOR THE TWO COMPANIES TO NEGOTIATE WITH TMO AND TO REACH SOME "COMPROMISE" SOLUTION. GOKMEN SAID THAT BOTH COMPANIES HAD BEEN DEALING WITH THE SOIL PRODUCTS OFFICE FOR MANY YEARS, AND HE HOPED THAT THIS RELATIONSHIP WULD CONTINUE TO THE BENEFIT OF BOTH SIDES.

(D) GOKMEN SAID THAT IF THE TURKISH GOVERNMENT WERE TO PROCEED TO HONOR THE CONTRACTS AT THE ORIGINAL PRICE AS THIS EMB HAD BEEN URGING THIS WOULD, BECAUSE OF THE DOMESTIC REACTION IN TURKEY, DEVELOP INTO A SERIOUS PROBLEM BETWEEN OUR TWO GOVERNMENTS, IN ADDITION TO SERIOUS PROBLEMS WHICH ALREADY EXIST BECAUSE OF OTHER RECENT DEVELOPMENTS.

(E) GOKMEN SAID HE UNDERSTOOD THAT CONTINENTAL GRAIN HAS BEGUN PROCEEDINGS FOR ARBITRATION THROUGH THE AGENCY OF GAFTA AS CALLED FOR IN THE CONTRACT. AN AWARD AS A RESULT OF SUCH ARBITRATION WOULD BE UNENFORCEABLE IN TURKEY AND, THEREFORE, MEANINGLESS FOR THE U. S. COMPANY.

(F) GOKMEN SAID HE WOULD REPORT THE ECONOMIC COUNSELOR'S LATEST APPROACH TO THE FOREIGN MINISTER. HOWEVER, HE WAS QUITE SURE THAT NOTHING WOULD CHANGE THE GOT POSITION ON THIS ISSUE, AND HE PERSONALLY RECOMMENDED THAT THE U.S. COMPANIES TRY TO WORK OUT SOME COMPROMISE SOLUTION WITH TMO.
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